Marketing reforms in Ghana’s cocoa sector

Partial liberalisation, partial benefits?

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Data collection

- Two farmer surveys (2003 and 2005): 200 farm-owners and 80 caretakers, from 34 different communities in Western region, Brong Ahafo, Ashanti and Central region;
- Focus group discussions;
- Semi-structured interviews: farmers, Cocobod, LBCs, International buyers, transporters, international institutions, NGOs and research community;
- Two multi-stakeholder workshops on sustainable cocoa production: Amsterdam (2003) and Accra (2005);
- Combination of quantitative and qualitative data.
Partial reforms, partial benefits?

Reforms of marketing and pricing systems
- Liberalisation of internal marketing
- No liberalisation of external marketing
- Price stabilisation system in place
- Forward sales

Institutional reforms
- Privatisation of input distribution
- Unified extension services
- Quality control system in place
- Farmer organisation

Outcomes
- Around 25 LBCs
- CMC is sole exporter
- Increase in producer price and volume of production
- Annually fixed producer-price
- Availability and costs of input increased
- Weak service provision/fragmentation
- Premium quality cocoa
- Farmer organisation and representation is weak

Two questions:
✓ IMPACT?
✓ HOW ARE BENEFITS AND COSTS DISTRIBUTED?
Competition among LBCs

LBCs compete on volume instead of price!

Main strategies of committing farmers to them:

- Investing in local purchasers of cocoa and making sure the PC is capable, trustworthy and motivated to serve farmers’ needs
- Investing directly in farmers and providing them with prompt payment, bonuses, gifts, rewards, (subsidised) inputs, credit and training, and invest in maintaining durable social relations with their suppliers.
Use and distribution of benefits

- Prompt payments
- Farmers’ choice between LBCs is sometimes limited
- Few farmers receive bonuses/credit/input
- No bargaining for services
- Use and distribution of benefits depends on
  - ownership, location and bargaining power of farmer
  - Incentives for LBCs and PCs

Farmers’ main reason for LBC selection in 2002/03

Source: Author, based on fieldwork in 2003
External marketing

- Officially, qualified LBCs are allowed to export 30%
- So far, LBCs have not received an export-license
- Status quo of partial liberalisation
- Is this the desirable end-stage?
## Composition of Net FoB price in 2002/03

<table>
<thead>
<tr>
<th>Component</th>
<th>Mainstream Cocoa USD/tonne (2002/03)</th>
<th>Distribution in % Net FoB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producer price</td>
<td>976</td>
<td>68,11</td>
</tr>
<tr>
<td>Buyers' Margin</td>
<td>128</td>
<td>8,93</td>
</tr>
<tr>
<td>Domestic transport costs</td>
<td>32,2</td>
<td>2,26</td>
</tr>
<tr>
<td>Storage and shipping</td>
<td>18,4</td>
<td>1,27</td>
</tr>
<tr>
<td>Disinfection costs</td>
<td>9,66</td>
<td>0,67</td>
</tr>
<tr>
<td>Crop finance costs</td>
<td>33,3</td>
<td>2,3</td>
</tr>
<tr>
<td>Government Tax</td>
<td>236</td>
<td>16,44</td>
</tr>
<tr>
<td>Net FoB price</td>
<td>1433,56</td>
<td>99,98%</td>
</tr>
<tr>
<td><strong>Export value (gross FoB)</strong></td>
<td><strong>2200</strong></td>
<td></td>
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<tr>
<td>‘Reinvestments’</td>
<td>Main beneficiaries</td>
<td></td>
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<td>----------------------------------------------------------</td>
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<tr>
<td>Farmer Bonuses (in case world price&gt;FoB)</td>
<td>The majority of the farmers receives bonuses. Farm-owners, farmers obtaining a strong position/status in the cocoa community and farmers living in Central and Western region had significantly more chance getting a bonus. In Brong Ahafo more than 30% did not receive bonus in 2002/03 and 2003/04.</td>
<td></td>
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<tr>
<td>CODAPEC</td>
<td>*The majority of farmers are being reached. But only 6% the promised 4 times. Farmers with a strong position and farmers working together with other farmers (informally) receive more spraying than other farmers. Farmers in Brong Ahafo received more spraying. Logistical problems</td>
<td></td>
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<tr>
<td>CODAPEC mass spraying programme</td>
<td>**no data collected</td>
<td></td>
</tr>
<tr>
<td>CODAPEC fertilizer on credit</td>
<td></td>
<td></td>
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<tr>
<td>Research CRIG/CSSVD</td>
<td>Farmers having access to extension, adopt technologies and can make investments.</td>
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<td>Subsidies on mid-crop (20% discount)</td>
<td>Processing companies (under the condition that supply of mid-crop beans meets demand)</td>
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<tr>
<td>School scholarships/rewards farmers and housing</td>
<td>No data collected. But assumption is that not all farmers benefit equally.</td>
<td></td>
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<tr>
<td>Infrastructure</td>
<td>Farmers/Cocobod/LBCs</td>
<td></td>
</tr>
</tbody>
</table>
How can the benefits from the Ghanaian system be better utilised and distributed more equally?